

Air Force Materiel Command

Developing, Fielding, and Sustaining America's Aerospace



U.S. AIR FORCE



**Pricing Services
Contracts**

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Integrity - Service - Excellence



Outline

- **Pricing Issues**
- **Pricing Basics**
- **Changes to TINA**
- **Profit/WGL**
- **Documentation**
- **Pricing Resources**



Training Objectives

- **Discuss recurring Pricing Issues**
- **Provide a refresher on Pricing Basics**
- **Discuss changes to TINA**
- **How to apply Profit Policy**
- **How to document your pricing efforts**
- **Provide Pricing Resources for your use**



Pricing Issues

- **Repeat Findings from GAO/DoDIG**
 - Market Research
 - Use of Price Analysis Techniques
 - Application of TINA and related exceptions
 - Conducting Cost Realism Analysis
 - Documentation
- **Confirmed by MAJCOM IG findings & AFPAT results**
 - Lack of recurring pricing training



Pricing Basics

- CO is required to determine prices to be fair and reasonable
 - **12.209, 13.106-3(a), 14.408-2(a), 15.402(a)**
 - **Must be documented in the contract file**
- Number of Techniques available
 - **Price Analysis**
 - **Cost Analysis**
 - **The complexity and circumstances of each acquisition should determine the level of detail of the analysis required**



Pricing Basics

- **Price Analysis Techniques**
 - Described in 13.106-3 and 15.404-1(b)
 - “...shall be used when other than cost or pricing data received”
 - should be used in conjunction with cost analysis when cost or pricing data received



Pricing Basics

- **Price Analysis Techniques**
 - Comparison of Competitive Offers/Quotes (1)& (2)
 - Comparison to prior buys on the same or similar items (2)
 - Comparison to a government estimate
 - Parametric Estimates/rough yardsticks (3)
 - Comparison to published price lists/market prices
 - Informal cost analysis
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- (1) Preferred technique under Part 13**
- (2) Preferred techniques under Part 15**
- (3) Would not normally be used as the sole technique**



Pricing Basics

- **Price Analysis**
 - **Comparison among competing offers**
 - **One offeror received**
 - **13.106-3(a)(2): include a statement of price reasonableness based on**
 - » **Market research**
 - » **Prior buys**
 - » **Current price lists, catalogs, or advertisements**
 - » **Comparison to similar items**
 - » **Comparison to Govt Estimate**
 - » **Any other reasonable basis**



Pricing Basics

AFMC

- **Price Analysis**
 - **Comparison among competing offers**
 - **One offeror received**
 - **15.404-1(b)(2)(a) (i) Comparison of proposed prices received in response to the solicitation. Normally, adequate price competition established price reasonableness (see [15.403-1\(c\)\(1\)](#)).**
 - **15.403-1(c)(1)...TINA Exception vs. Fair & Reasonable.**



Pricing Basics

- **Cost Analysis**
 - “...shall be used to evaluate the reasonableness of individual cost elements when cost or pricing data required.
 - Price analysis should be used to verify that the overall price is fair & reasonable.
 - Cost analysis may also be used to evaluate information other than cost or pricing data to determine cost reasonableness or cost realism.



Pricing Basics

- **Cost Analysis (cont)**
 - **review and evaluation of the separate cost elements and profit in an offeror's or contractor's proposal (including cost or pricing data or information other than cost or pricing data), and the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency**



Pricing Basics

- **Cost Realism**
 - the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine
 - if whether the estimated proposed cost elements are realistic for the work to be performed
 - reflect a clear understanding of the requirements
 - are consistent with the unique methods of performance and materials described in the offeror's technical proposal.
 - Shall be done on CR contracts, may be done on FP



Changes to TINA

- **Truth In Negotiation Act**
 - **Waiver to TINA Requirements**
 - **Changed in FY03 Defense Auth Act**
 - **Three considerations**
 - **Must be impractical to obtain the item or service without the waiver;**
 - **Must be an adequate way to price the item using price analysis;**
 - **The waiver must be in the best interest of the AF**



Changes to TINA

- **Truth In Negotiation Act**
 - **Waiver to TINA Requirements (cont)**
 - **Must document these in your Waiver request & PNM**
 - **Not yet incorporated into DFARS**
 - **OSD Guidance**
 - <http://www.acq.osd.mil/dpap/Docs/ExceptionsWaiverstoTINAMemo.pdf>
 - **AF Guidance**
 - <http://www.safaq.hq.af.mil/contracting/policy/AQC/policy-2003/03-c-08.pdf>
 - **HQ AFMC TINA Waiver Guidance**
 - <https://www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/pkpc/tina.htm>



Profit Policy & WGL



- **Profit**
 - **Policy at DFARS 215.404-4, -70 through -76**
 - **Utilized when conducting cost analysis**
 - **WGL Tool**
 - **“Recent” Changes**
 - **Technology Incentive Factor**
 - **Cost Efficiency Factor**
 - **Other Changes**



Documentation

- **Pricing documentation should**
 - **tell the story of how you determined the price to be fair & reasonable.**
 - **Address the proposal, your objective, negotiations (if any), and your final price**
- **How much is enough?**
 - **Depends on the complexity of the situation**
 - **Abstract with a statement and signature**
 - **Full blown Price Negotiation Memorandum (PNM)**



Pricing Resources



- **Contract Pricing Reference Guides**
 - <http://www.acq.osd.mil/dpap/contractpricing/index.htm>
- **SAF/AQC Contracting Toolkit...also FARSITE**
 - <http://www.safaq.hq.af.mil/contracting/toolkit/index.html>
 - **Go to the specific FAR Part in question.**
 - **Variety of tools available**
 - **There will be a Pricing Advice Center in the future, covering all aspects of contract pricing.**
- **Wage Determinations Website (Davis-Bacon & SCA)**
 - <http://www.wdol.gov/>
- **Air Force Labor Advisor Website**
 - <http://www.safaq.hq.af.mil/contracting/laborstandards/desktop.htm>



Pricing Resources

- **Various web-based training offered by DAU and AFIT**
 - **DAU Continuous Learning**
 - Click on *Learning Center* at
http://clc.dau.mil/kc/no_login/portal.asp
 - **AFIT** at
<http://ls.afit.edu/coursedes.cfm?p=27>
- **Armed Services Pricing Manual**
 - **Not current, but still contains some useful information**



Pricing Resources

- **DCAA Financial Liaison Advisor (FLA)**
 - **Lynda McCord, FLA Assigned to HQ AFMC/PK**
 - DSN 787-6756, 937-257-3812
 - Lynda.mccord@wpafb.af.mil
 - **Services Available**
 - **Advice on financial/accounting matters**
 - **Coordination on Audit Request and related services**
 - **Counsel on audit reports**
 - **Training**
 - **Supporting SSEB's**
 - **Market Research/Commercial Pricing**
 - **Other Transactions**



Backup Chart

- **FARSITE**
- <http://farsite.hill.af.mil/vfaffara.htm>